

AMENDED IN ASSEMBLY AUGUST 16, 1999

AMENDED IN SENATE APRIL 28, 1999

AMENDED IN SENATE APRIL 15, 1999

**SENATE BILL**

**No. 171**

**Introduced by Senator Escutia**  
**(Coauthors: Senators Figueroa and Solis)**  
(Coauthors: Assembly Members Cedillo, Firebaugh,  
Gallegos, Longville, Romero, and Washington)

January 11, 1999

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~~An act to add Article 4.1 (commencing with Section 11627.5) to Chapter 1 of Part 3 of Division 2 of the Insurance Code, relating to automobile insurance.~~ *An act relating to automobile insurance.*

LEGISLATIVE COUNSEL'S DIGEST

SB 171, as amended, Escutia. Automobile insurance: lifeline policies.

Existing law requires motorists to demonstrate financial responsibility by one of various means, including an automobile liability insurance policy. Existing law specifies minimum coverages for the policy. Existing law requires insurers to participate in a plan, known as the assigned risk plan, to provide automobile insurance to those otherwise unable to obtain coverage.

~~This bill would require insurers that participate in the assigned risk plan to also participate in a plan established by the Insurance Commissioner to offer a Lifeline Automobile Insurance Policy. The Lifeline Automobile Insurance Policy~~

~~would provide coverage of \$10,000 for liability for bodily injury or death to one person, subject to a cumulative limit of \$20,000 for all persons, and \$3,000 for liability for damage to property.~~

~~The bill would provide that the policy would be sold for an average baseline premium of \$320 annually, to be adjusted, as specified. The bill would specify who is eligible to purchase a policy.~~

~~The bill would set forth related provisions make legislative findings and declarations with respect to the need for lifeline automobile insurance policies for low-income drivers.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~yes~~  
no. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. The Legislature finds and declares as  
2 follows:

3 (a) Existing California law provides that it is against  
4 the law to drive a car without purchasing automobile  
5 liability insurance.

6 (b) Proposition 213 provides that a person who is in a  
7 car accident but who does not have automobile insurance  
8 may not be compensated for his or her pain and suffering,  
9 even if the person was not at fault in the accident.

10 (c) The insurance marketplace has not provided an  
11 automobile insurance product affordable to low-income  
12 drivers. For this reason, far too many people are without  
13 any automobile insurance.

14 (d) Proposition 103 does not address the issue of what  
15 kinds of automobile insurance products must be offered.  
16 It only provides a regulatory scheme for those products  
17 if an insurer decides to offer them.

18 (e) Insurance companies selling automobile insurance  
19 products in California earn significant profits for doing so,  
20 profits that have increased significantly after enactment  
21 of those laws restricting the ability of those without  
22 insurance to sue, court decisions further restricting  
23 plaintiffs' rights of redress, and laws that make the  
24 purchase of their products a legal requirement to drive

1 in a state where driving is a practical necessity. Because  
2 insurance companies offering for sale automobile  
3 insurance in California thus enjoy the benefits of these  
4 state laws, the Legislature finds and declares that it is fair  
5 and equitable, and required for the public welfare, that  
6 insurance companies should be required to participate in  
7 a plan offer for sale a policy of automobile insurance that  
8 is affordable to low-income drivers.

9 (f) For these reasons, the Legislature finds and  
10 declares that it is essential to the health, safety, and  
11 welfare of Californians that, as a condition of doing  
12 business in this state, that California automobile insurers  
13 be required to participate in a plan offering affordable  
14 Lifeline Automobile Insurance Policies.

15 ~~SEC. 2. Article 4.1 (commencing with Section~~  
16 ~~11627.5) is added to Chapter 1 of Part 3 of Division 2 of the~~  
17 ~~Insurance Code, to read:~~

18  
19 ~~Article 4.1. Lifeline Automobile Insurance Policies~~  
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21 ~~11627.5. The commissioner, after a public hearing,~~  
22 ~~shall approve or issue a reasonable plan for the equitable~~  
23 ~~apportionment, among insurers required to participate in~~  
24 ~~the plan established under Section 11620, of persons~~  
25 ~~eligible to purchase Lifeline Automobile Insurance. The~~  
26 ~~Lifeline Automobile Insurance Plan shall be conducted in~~  
27 ~~conjunction with the plan established under Section~~  
28 ~~11620.~~

29 ~~11627.55. (a) The plan shall require the issuance of a~~  
30 ~~Lifeline Automobile Insurance Policy affording coverage~~  
31 ~~in the amount of ten thousand dollars (\$10,000) for bodily~~  
32 ~~injury to, or death of, each person as a result of any one~~  
33 ~~accident and, subject to that limit as to one person, the~~  
34 ~~amount of twenty thousand dollars (\$20,000) for bodily~~  
35 ~~injury to, or death of, all persons as a result of any one~~  
36 ~~accident, and the amount of three thousand dollars~~  
37 ~~(\$3,000) for damage to property of others as a result of any~~  
38 ~~one accident.~~

39 ~~(b) A Lifeline Automobile Insurance Policy shall,~~  
40 ~~notwithstanding the coverage amounts required by~~

1 ~~Section 16056 of the Vehicle Code, satisfy the financial~~  
2 ~~responsibility requirements of Section 16021 of the~~  
3 ~~Vehicle Code.~~

4 ~~(e) A Lifeline Automobile Insurance Policy shall only~~  
5 ~~be available for purchase by low-income California~~  
6 ~~residents 19 years of age or older who are either good~~  
7 ~~drivers or very good drivers.~~

8 ~~(d) A Lifeline Automobile Insurance Policy shall not~~  
9 ~~be available for purchase by any person who has a felony~~  
10 ~~or misdemeanor conviction on his or her driving record~~  
11 ~~pertaining to a violation of the Vehicle Code as recorded~~  
12 ~~by the Department of Motor Vehicles.~~

13 ~~11627.6. As used in this article:~~

14 ~~(a) "Very good driver" means a motorist who has~~  
15 ~~accrued no violation points in the previous three years~~  
16 ~~under Section 12810 of the Vehicle Code.~~

17 ~~(b) "Good driver" means a motorist who has accrued~~  
18 ~~no more than one violation point in the previous three~~  
19 ~~years under Section 12810 of the Vehicle Code.~~

20 ~~(c) "Low-income" means a person whose household~~  
21 ~~income does not exceed 150 percent of the federal~~  
22 ~~poverty level.~~

23 ~~11627.65. (a) The initial premium for a Lifeline~~  
24 ~~Automobile Insurance Policy shall be based upon a three~~  
25 ~~hundred twenty dollar (\$320) baseline. The premium~~  
26 ~~baseline shall be revised on January 1, 2002, and every two~~  
27 ~~years thereafter to reflect changes in the national~~  
28 ~~consumer price index and the distribution of very good~~  
29 ~~drivers and good drivers.~~

30 ~~(b) The premium shall be differentiated for two~~  
31 ~~driving classes: very good drivers and good drivers.~~

32 ~~(1) Very good drivers shall pay a premium 6.6 percent~~  
33 ~~below the baseline.~~

34 ~~(2) Good drivers shall pay a premium in excess of the~~  
35 ~~baseline to the extent necessary to create an average~~  
36 ~~Lifeline Automobile Insurance Policy premium cost of~~  
37 ~~three hundred twenty dollars (\$320), as adjusted under~~  
38 ~~subdivision (a). The standard premium shall not be more~~  
39 ~~than 30 percent above the baseline.~~

1     ~~(3) On and after January 1, 2002, the commissioner~~  
2 ~~shall establish premiums to be paid in accordance with~~  
3 ~~this subdivision, based upon the consumer price index~~  
4 ~~adjustment and the percentage of lifeline policyholders~~  
5 ~~represented in each category.~~

6     ~~(4) If, in order to establish an average baseline of three~~  
7 ~~hundred twenty dollars (\$320), as adjusted, the~~  
8 ~~commissioner determines that a good driver would be~~  
9 ~~required to pay a premium more than 30 percent above~~  
10 ~~the baseline, the commissioner shall instead increase the~~  
11 ~~premium for very good drivers to an amount no greater~~  
12 ~~than the baseline.~~

13     ~~(c) Until January 1, 2002, the initial premium shall be~~  
14 ~~set at three hundred dollars (\$300) for very good drivers~~  
15 ~~and four hundred dollars (\$400) for good drivers.~~

16     ~~(d) Each policy shall provide and each insurer shall~~  
17 ~~inform the purchaser that he or she may pay the full~~  
18 ~~premium or a monthly premium. Insured motorists shall~~  
19 ~~be permitted to pay in monthly installments equal to~~  
20 ~~one-twelfth of the annual premium. Insurers shall not add~~  
21 ~~any additional charges that would result in an increase of~~  
22 ~~the amount required to purchase a policy as established~~  
23 ~~by this section.~~

24     ~~11627.7. The commissioner shall further define by~~  
25 ~~regulations pursuant to this article the form of the~~  
26 ~~application to be used in purchasing the Lifeline~~  
27 ~~Automobile Insurance Policy, including, but not limited~~  
28 ~~to, those application requirements for demonstrating~~  
29 ~~eligibility to purchase the Lifeline Automobile Insurance~~  
30 ~~Policy, and regulations establishing the means by which~~  
31 ~~applicants are notified and may correct errors or mistakes~~  
32 ~~in the application that result in a determination that they~~  
33 ~~are not eligible to purchase a Lifeline Automobile~~  
34 ~~Insurance Policy.~~

35     ~~11627.75. The commissioner shall further adopt~~  
36 ~~regulations setting forth the reasonable circumstances~~  
37 ~~that would permit an insurer to cancel, nonrenew, or~~  
38 ~~refuse to sell a Lifeline Automobile Insurance Policy to a~~  
39 ~~person.~~

1     ~~11627.8. The commissioner shall have all additional~~  
2 ~~powers required to implement this article, including, but~~  
3 ~~not limited to, the issuance of regulations setting forth the~~  
4 ~~respective obligations of each insurer to offer and service~~  
5 ~~Lifeline Automobile Insurance Policies under this article.~~

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